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PLR-151247-06  
Date:  
December 7, 2006

### Legend

F45 =

F46 =

F47 =

F48 =

t =

Month =

Date 2 =

Dear :

This responds to your October 25, 2006 request that we supplement our letter

ruling dated August 18, 2006 (PLR-124298-06) (the "Prior Ruling Letter"). The information submitted for consideration is summarized below. Capitalized terms not defined in this ruling have the meanings originally assigned to them in the Prior Ruling Letter.

The rulings contained in this letter are based on information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the proposed distributions: (i) satisfy the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations; (ii) are used principally as a device for the distribution of the earnings and profits of a distributing or controlled corporation or both (see § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)); or (iii) are part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in a distributing or controlled corporation (see § 355(e) and § 1.355-7).

The Prior Ruling Letter addresses, in part, certain U.S. federal income tax consequences of the distributions of Controlled 10 and Controlled 11 and related transactions. The taxpayer proposes to modify the proposed transaction described in the Prior Ruling Letter in the following manner:

#### Modification of Contribution 2

In addition to the property described in the Prior Ruling Letter, S6 will contribute a 1 percent interest in F45 to New S6.

#### Modification of Contribution 4

Pursuant to Contribution 4, S6 has transferred, or will transfer, property to S17, rather than to S14. The transferred property now includes the stock of S5, S10, S14, and S19. S6 transferred the stock of S14 to S17 on Date 2. The transfer of the remaining property will occur in Month.

#### Contribution 4A

S17 has transferred, or will transfer, to S14 the stock of S5, S10, and S19, and S17's assets associated with Business M (including S17's interest in S21), and S14 has assumed certain liabilities of S17 associated with Business M ("Contribution 4A"). On Date 2, S17 transferred to S14 S17's interest in S21 and all of S17's right, title, and interest to its Business M assets, and S14 assumed the liabilities associated with S17's Business M. The transfer of the stock of S5, S10, and S19 will occur in Month.

Modification of Contribution 5

S14 was the sole transferor to S21 in Contribution 5, which occurred on Date 2. The property that would have been transferred by S17 to S21 in connection with Contribution 5 was transferred by S17 to S14 in Contribution 4A.

Contribution 6A

S14 will not contribute property to Controlled 2 in Contribution 7 or Distributing 2 in Contribution 8. S14 instead will contribute to S10 the stock of S5, S21, and F46 and S14's interest in F24 ("Contribution 6A").

Modification of Contribution 7

S10 will be the sole transferor to Controlled 2 in Contribution 7. The property transferred by S10 to Controlled 2 will be the same property that S10, S14, and S17 would have transferred in Contribution 7, as set forth in the Prior Ruling Letter, plus the stock of F46 received by S10 in Contribution 6A.

Modification of Contribution 8

S14 and S17 will not be transferors to Distributing 2 in Contribution 8. The property transferred by S10 to Distributing 2 will be the same property that S10, S14, and S17 would have transferred in Contribution 8 as set forth in the Prior Ruling Letter.

Modification of Distribution 1

In connection with Distribution 1, Distributing 1 will distribute a portion of the Controlled 1 stock to Distributing 3 in complete redemption of the outstanding preferred stock of Distributing 1 held by Distributing 3. The remainder of the shares of Controlled 1 will be distributed to Distributing 4 in redemption of Distributing 1 common shares held by Distributing 4.

Modification of Distribution 2

In connection with Distribution 2, Distributing 2 will distribute a portion of the Controlled 2 stock to Distributing 3 in complete redemption of the outstanding preferred stock of Distributing 2. The remainder of the shares of Controlled 2 will be distributed to Distributing 3 in redemption of Distributing 2 common shares held by Distributing 3.

Modification of Contributions 25 and 26 and Distributions 12 and 13

Due to foreign law considerations, Distributing 6 cannot transfer assets directly to Controlled 10 and Controlled 11. As a result, Distributing 6 will transfer its Business P and Business B subsidiaries to the Controlled 10 group and the Controlled 11 group, respectively, pursuant to the following transactions:

(xlvA) Distributing 4 will form two new foreign companies, F47 and F48.

(xlvB) Distributing 6 will transfer the stock of the Business P subsidiaries to F47 for no consideration.

(xlvC) Distributing 6 will transfer the stock of the Business B subsidiaries to F48 for no consideration.

#### Revised Active Trade or Business Transactions

The following steps will be taken to ensure that Distributing 1, Controlled 1, and Controlled 3 each will satisfy the active trade or business requirement under § 355(b), without regard to § 355(b)(3):

(iA) After step (i) in the Prior Ruling Letter, F20 will elect to be disregarded as an entity separate from its owner for U.S. federal tax purposes under § 301.7701-3.

(xxixA) After step (xxix) in the Prior Ruling Letter, F26 will elect to be disregarded as an entity separate from its owner for U.S. federal tax purposes under § 301.7701-3.

(xxxviA) After step (xxxvi) in the Prior Ruling Letter, F12 will elect to be disregarded as an entity separate from its owner for U.S. federal tax purposes under § 301.7701-3.

### **SUPPLEMENTAL REPRESENTATIONS**

#### Contribution 2

The representations provided in the Prior Ruling Letter related to Contribution 2 have been confirmed in their entirety to reflect the modification to Contribution 2.

#### Contribution 4

The representations related to Contribution 4 in the Prior Ruling Letter are modified to reflect S17 as the transferee and otherwise have been confirmed in their entirety.

#### Contribution 4A

The following representations are made with respect to Contribution 4A described above:

(a4A) No stock or securities will be issued for services rendered to or for the benefit of S14 in connection with Contribution 4A, and no stock or securities will be issued for indebtedness of S14.

(b4A) S17 has not accumulated receivables or made extraordinary payment of payables in anticipation of Contribution 4A.

(c4A) S14 will report items, if any, that, but for the transfer, would have resulted in income or deduction to S17 in a period subsequent to the transfer and such items will constitute income or deductions to S14 when received or paid by it. The proceeds received in collection of the income items will be included as ordinary income in computing the taxable income of S14.

(d4A) None of the stock to be transferred by S17 to S14 is "§ 306 stock" within the meaning of § 306(c).

(e4A) Contribution 4A is not the result of the solicitation by a promoter, broker, or investment house.

(f4A) S17 will not retain any rights in the property transferred to S14 pursuant to Contribution 4A.

(g4A) The value of the S14 stock received by S17 in exchange for accounts receivable, if any, will be equal to the net value of the accounts transferred; i.e., the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts.

(h4A) The total adjusted basis of the assets to be transferred by S17 to S14 will equal or exceed the total liabilities assumed (within the meaning of § 357(d)) by S14 from S17.

(i4A) The total fair market value of the assets transferred to S14 by S17 will exceed the sum of (i) the amount of liabilities assumed (as determined under § 357(d)) by S14 from S17 in connection with Contribution 4A; (ii) the amount of liabilities owed by S14 to S17 that are discharged or extinguished in connection with Contribution 4A; and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by S17 in connection with Contribution 4A. The fair market value of the assets of S14 will exceed the amount of its liabilities immediately after the exchange.

(j4A) The liabilities, if any, of S17 to be assumed (within the meaning of § 357(d)) by S14 were incurred in the ordinary course of business and are associated with the assets to be transferred.

(k4A) There is no indebtedness between S14 and S17, and there will be no indebtedness created in favor of S17 as a result of Contribution 4A.

(l4A) The transfers and exchanges pursuant to Contribution 4A will occur under a plan agreed upon before Contribution 4A in which the rights of the parties are defined.

(m4A) All exchanges pursuant to Contribution 4A will occur on approximately the same date.

(n4A) There is no plan or intention on the part of S14 to redeem or otherwise reacquire any stock to be issued in Contribution 4A.

(o4A) Taking into account any issuance of additional shares of S14 stock; any issuance of stock for services; the exercise of any S14 stock rights, warrants, or subscriptions; a public offering of S14 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of S14 to be received in the exchange, S17 will be in "control" of S14 within the meaning of § 368(c).

(p4A) S17 will receive stock in S14 approximately equal to the fair market value of the property transferred to S14 in exchange therefor.

(q4A) S14 will remain in existence and, except for the Contributions, retain and use the property transferred to it in a trade or business.

(r4A) Except for the Contributions, there is no plan or intention by S14 to dispose of the transferred property other than in the normal course of business operations.

(s4A) Each of the parties to Contribution 4A will pay its own expenses, if any, incurred in connection with Contribution 4A.

(t4A) S14 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(u4A) S17 is not under the jurisdiction of a court in a title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the stock or securities received in the exchange will not be used to satisfy the indebtedness of S17.

(v4A) S14 will not be a "personal service corporation" within the meaning of § 269A.

(w4A) The aggregate fair market value of the assets contributed by S17 to S14 will exceed such assets' aggregate bases immediately after Contribution 4A.

### Contribution 5

The representations related to Contribution 5 in the Prior Ruling Letter are modified to reflect S14 as the sole transferor, reflect modified representation (t5) as set forth below, and otherwise have been confirmed in their entirety.

Representation (t5) in the Prior Ruling Letter is replaced with the following representation:

(t5) Contribution 5 did not result in a 'transfer to an investment company' within the meaning of §1.351-1(c)(1).

#### Contribution 6A

The following representations are made with respect to Contribution 6A described above:

(a6A) No stock or securities will be issued for services rendered to or for the benefit of S10 in connection with Contribution 6A, and no stock or securities will be issued for indebtedness of S10.

(b6A) S14 has not accumulated receivables or made extraordinary payment of payables in anticipation of Contribution 6A.

(c6A) S10 will report items, if any, that, but for the transfer, would have resulted in income or deduction to S14 in a period subsequent to the transfer and such items will constitute income or deductions to S10 when received or paid by it. The proceeds received in collection of the income items will be included as ordinary income in computing the taxable income of S10.

(d6A) None of the stock to be transferred by S14 to S10 is "§ 306 stock" within the meaning of § 306(c).

(e6A) Contribution 6A is not the result of the solicitation by a promoter, broker, or investment house.

(f6A) S14 will not retain any rights in the property transferred to S10 pursuant to Contribution 6A.

(g6A) The value of the S10 stock received by S14 in exchange for accounts receivable, if any, will be equal to the net value of the accounts transferred; i.e., the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts.

(h6A) The total adjusted basis of the assets to be transferred by S14 to S10 will equal or exceed the total liabilities assumed (within the meaning of § 357(d)) by S10 from S14.

(i6A) The total fair market value of the assets transferred to S10 by S14 will exceed the sum of (i) the amount of liabilities assumed (as determined under § 357(d)) by S10 from S14 in connection with Contribution 6A; (ii) the amount of liabilities owed by S10 to S14 that are discharged or extinguished in connection with Contribution 6A; and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received

by S14 in connection with Contribution 6A. The fair market value of the assets of S10 will exceed the amount of its liabilities immediately after the exchange.

(j6A) The liabilities, if any, of S14 to be assumed (within the meaning of § 357(d)) by S10 were incurred in the ordinary course of business and are associated with the assets to be transferred.

(k6A) There is no indebtedness between S10 and S14, and there will be no indebtedness created in favor of S14 as a result of Contribution 6A.

(l6A) The transfers and exchanges pursuant to Contribution 6A will occur under a plan agreed upon before Contribution 6A in which the rights of the parties are defined.

(m6A) All exchanges pursuant to Contribution 6A will occur on approximately the same date.

(n6A) There is no plan or intention on the part of S10 to redeem or otherwise reacquire any stock to be issued in Contribution 6A.

(o6A) Taking into account any issuance of additional shares of S10 stock; any issuance of stock for services; the exercise of any S10 stock rights, warrants, or subscriptions; a public offering of S10 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of S10 to be received in the exchange, S14 will be in "control" of S10 within the meaning of § 368(c).

(p6A) S14 will receive stock in S10 approximately equal to the fair market value of the property transferred to S10 in exchange therefor.

(q6A) S10 will remain in existence and, except for the Contributions, retain and use the property transferred to it in a trade or business.

(r6A) Except for the Contributions, there is no plan or intention by S10 to dispose of the transferred property other than in the normal course of business operations.

(s6A) Each of the parties to Contribution 6A will pay its own expenses, if any, incurred in connection with Contribution 6A.

(t6A) S10 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(u6A) S14 is not under the jurisdiction of a court in a title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the stock or securities received in the exchange will not be used to satisfy the indebtedness of S14.



(v6A) S10 will not be a "personal service corporation" within the meaning of § 269A.

(w6A) The aggregate fair market value of the assets contributed by S14 to S10 will exceed such assets' aggregate bases immediately after Contribution 6A.

#### Contribution 7

The representations related to Contribution 7 are modified to reflect S10 as the sole transferor and otherwise have been confirmed in their entirety.

#### Contribution 8

The representations related to Contribution 8 are modified to exclude S14 and S17 as transferors and otherwise have been confirmed in their entirety.

#### Contribution 9 and Distribution 1

The representations related to Contribution 9 and Distribution 1 are modified to reflect Distributing 3 as a distributee in Distribution 1 and to include the new representations set forth below, and otherwise have been confirmed in their entirety.

(u10) The fair market value of the Controlled 1 stock to be received by Distributing 3 in redemption of the preferred stock of Distributing 1 will be approximately equal to the fair market value of the preferred stock of Distributing 1.

(v10) No dividends have been declared with respect to the preferred stock of Distributing 1, and Distributing 3, as the preferred shareholder, does not have the legal right to compel Distributing 1 to pay preferred dividends in arrears.

#### Contribution 10 and Distribution 2

The representations related to Contribution 10 and Distribution 2 are modified to reflect the redemption of the Distributing 2 preferred stock from Distributing 3 and to include the new representations set forth below, and otherwise have been confirmed in their entirety.

(u11) The fair market value of the Controlled 2 stock to be received by Distributing 3, in its capacity as the preferred shareholder of Distributing 2, will be approximately equal to the fair market value of the preferred stock of Distributing 2.

(v11) No dividends have been declared with respect to the preferred stock of Distributing 2, and Distributing 3, as the preferred shareholder of Distributing 2, does not have the legal right to compel Distributing 2 to pay preferred dividends in arrears.

#### Contribution 25 and Distribution 12

(t26) Any payment of cash in lieu of fractional shares of Controlled 10 will be solely for the purpose of avoiding the expense and inconvenience to Distributing 6 of issuing fractional shares and will not represent separately bargained-for consideration. The total cash consideration to be paid in lieu of fractional shares of Controlled 10 stock will not exceed one percent of the total consideration that will be issued in Distribution 12 to the Distributing 6 shareholders. The fractional share interests in Controlled 10 of each Distributing 6 shareholder will be aggregated, and no Distributing 6 shareholder will receive cash in an amount equal to or greater than the value of one full share of Controlled 10 stock.

#### Contribution 26 and Distribution 13

(t27) Any payment of cash in lieu of fractional shares of Controlled 11 will be solely for the purpose of avoiding the expense and inconvenience to Distributing 6 of issuing fractional shares and will not represent separately bargained-for consideration. The total cash consideration to be paid in lieu of fractional shares of Controlled 11 stock will not exceed one percent of the total consideration that will be issued in Distribution 13 to the Distributing 6 shareholders. The fractional share interests in Controlled 11 of each Distributing 6 shareholder will be aggregated, and no Distributing 6 shareholder will receive cash in an amount equal to or greater than the value of one full share of Controlled 11 stock.

### **SUPPLEMENTAL RULINGS**

#### Contribution 2

1. The earnings and profits of F22, F23, and F45, to the extent attributable to such stock under §§ 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in tax years of such foreign corporations beginning after December 31, 1962, and during the period in which such corporations were CFCs, will be attributable to such stock held by New S6. Section 1.1248-1(a)(1).

#### Contribution 4

2. The rulings related to Contribution 4 in the Prior Ruling Letter are modified to reflect S17 as the transferee. As modified, the rulings related to Contribution 4 remain in full force and effect.

#### Contribution 4A

Based solely on the information and the representations set forth above, we rule as follows on Contribution 4A:

3. S17 will not recognize gain or loss on its transfer of assets to S14 pursuant to Contribution 4A solely in exchange for shares of S14 common stock and the assumption of liabilities by S14. Sections 351(a) and 357(a).

4. S14 will not recognize gain or loss on receipt of assets from S17 in exchange for S14 stock pursuant to Contribution 4A. Section 1032(a).

5. S14's basis in the assets received from S17 in Contribution 4A will equal the basis of such assets in the hands of S17 immediately prior to the transfer. Section 362(a).

6. The basis of S17 in the S14 stock received in Contribution 4A will equal the basis of the assets transferred by S17 to S14, reduced by the liabilities assumed by S14. Sections 358(a) and 358(d).

7. S14's holding period of the assets received from S17 in Contribution 4A will include the period during which S17 held the assets. Section 1223(2).

8. The holding period of S17 in the S14 stock received in Contribution 4A will include the period during which S17 held the assets exchanged therefor, provided the assets were capital assets or property described in section 1231. Section 1223(1).

#### Contribution 5

9. The rulings related to Contribution 5 in the Prior Ruling Letter are modified to reflect S14 as the sole transferor. As modified, the rulings related to Contribution 5 remain in full force and effect, notwithstanding the modification to representation (t5) set forth above.

#### Contribution 6

10. The earnings and profits of the BF Subs and F14, to the extent attributable to such stock under §§ 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in tax years of such foreign corporations beginning after December 31, 1962, and during the period in which such corporations were CFCs, will be attributable to such stock held by S5. Section 1.1248-1(a)(1).

#### Contribution 6A

Based solely on the information and the representations set forth above, we rule as follows on Contribution 6A:

11. S14 will not recognize gain or loss on its transfer of assets to S10 pursuant to Contribution 6A solely in exchange for shares of S10 common stock. Section 351(a).

12. S10 will not recognize gain or loss on receipt of assets from S14 in exchange for S10 stock pursuant to Contribution 6A. Section 1032(a).

13. S10's basis in the assets received from S14 in Contribution 6A will equal the basis of such assets in the hands of S14 immediately prior to the transfer. Section 362(a).

14. The basis of S14 in the S10 stock received in Contribution 6A will equal the basis of the assets transferred by S14 to S10. Section 358(a).

15. S10's holding period of the assets received from S14 in Contribution 6A will include the period during which S14 held the assets. Section 1223(2).

16. The holding period of S14 in the S10 stock received in Contribution 6A will include the period during which S14 held the assets exchanged therefor, provided the assets were capital assets or property described in section 1231. Section 1223(1).

17. The earnings and profits of F24 and F46, to the extent attributable to such stock under §§ 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in tax years of such foreign corporations beginning after December 31, 1962, and during the period in which such corporations were CFCs, will be attributable to such stock held by S10. Section 1.1248-1(a)(1).

#### Contribution 7

18. The earnings and profits of the YF Subs and F46, to the extent attributable to such stock under §§ 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in tax years of such foreign corporations beginning after December 31, 1962, and during the period in which such corporations were CFCs, will be attributable to such stock held by Controlled 2. Section 1.1248-1(a)(1).

19. The rulings in the Prior Ruling Letter are modified to reflect S10 as the sole transferor. As modified, the rulings related to Contribution 7 remain in full force and effect.

#### Contribution 8

20. The earnings and profits of F28, F29, and F30, to the extent attributable to such stock under §§ 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in tax years of such foreign corporations beginning after December 31, 1962, and during the period in which such corporations were CFCs, will be attributable to such stock held by Distributing 2. Section 1.1248-1(a)(1).

21. The rulings in the Prior Ruling Letter are modified to exclude S14 and S17 as transferors in Contribution 8. As modified, the rulings related to Contribution 8 remain in full force and effect.

Contribution 10

22. The earnings and profits of F28, F29, and F30, to the extent attributable to such stock under §§ 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in tax years of such foreign corporations beginning after December 31, 1962, and during the period in which such corporations were CFCs, will be attributable to such stock held by Controlled 2. Section 1.1248-1(a)(1).

Distribution 1

23. The rulings in the Prior Ruling Letter are modified to reflect Distributing 3 as a distributee in Distribution 1. As modified, the rulings related to Distribution 1 remain in full force and effect.

Distribution 2

24. The rulings in the Prior Ruling Letter are modified to reflect the redemption of the Distributing 2 preferred stock from Distributing 3. As modified, the rulings related to Distribution 2 remain in full force and effect.

Contributions 25 and 26 and Distributions 12 and 13

25. Steps (xlviii) through (lvii) in the Prior Ruling Letter, as modified by steps (xlvA), (xlvB), and (xlvC), above, will be treated as if (i) Distributing 6 transferred to Controlled 10 all of the stock of Distributing 6's Business P subsidiaries in exchange for shares of Controlled 10 and the assumption by Controlled 10 of the liabilities of Distributing 6 related to Business P ("Contribution 25"); (ii) Controlled 10 transferred the stock of the Business P subsidiaries to N4; (iii) N4 transferred the stock of the Business P subsidiaries to Controlled 7; (iv) Controlled 7 transferred the stock of the Business P subsidiaries to F47; (v) Distributing 6 transferred to Controlled 11 all of the stock of Distributing 6's Business B subsidiaries in exchange for shares of Controlled 11 and the assumption by Controlled 11 of the liabilities of Distributing 6 related to Business B ("Contribution 26"); (vi) Controlled 11 transferred the stock of the Business B subsidiaries to N5; (vii) N5 transferred the stock of the Business B subsidiaries to Distributing 4; and (viii) Distributing 4 transferred the stock of the Business B subsidiaries to F48. Rev. Rul. 77-191, 1977-1 C.B. 94.

26. Distributing 6 shareholders who receive cash in lieu of fractional shares of Controlled 10 stock or Controlled 11 stock will recognize gain or loss measured by the difference between the amount of the cash received and the basis allocated to the fractional share. Section 1001. Any gain or loss will be treated as capital gain or loss, provided such fractional share will be held as a capital asset on the date of Distribution 12 and Distribution 13. Sections 1221 and 1222.

Miscellaneous

27. Except to the extent required under §1.1502-9(b)(5)(i), Contributions 1 through 8 and Distributions 2 and 3 will not result in recapture of overall foreign losses under section 904(f)(3). Overall foreign losses shall be apportioned in accordance with the rules of §1.1502-9, as appropriate.

28. The supplemental facts submitted shall have no adverse effect on the Prior Ruling Letter, which, as modified thereby, shall remain in full force and effect.

#### Corrected Rulings

Rulings (28), (34), (64), (75), and (87) in the Prior Ruling Letter are replaced hereby by the following rulings:

(28) The basis of S14 in the S21 stock received in Contribution 5 will equal the basis of the assets transferred by S14 to S21, reduced by the liabilities assumed by S21. Section 358(a).

(34) The basis of S14 in the S5 stock received in Contribution 6 will equal the basis of the assets transferred by S14 to S5, reduced by the liabilities assumed by S5. Section 358(a).

(64) The basis of the Controlled 1 shares in the hands of Distributing 3 and Distributing 4 will be same, in each instance, as the basis in the Distributing 1 shares surrendered in exchange therefor. Section 358(a) and § 1.358-1(a).

(75) The basis of the Controlled 2 shares in the hands of Distributing 3 will be the same as the basis in the Distributing 2 shares surrendered in exchange therefor. Section 358(a) and § 1.358-1(a).

(87) The basis of the Controlled 3 shares in the hands of Distributing 3 will be the same as the basis in the Distributing 2 shares surrendered in exchange therefor. Section 358(a) and § 1.358-1(a).

#### **CAVEAT**

No opinion was requested, and therefore no opinion is expressed, as to the federal income tax treatment of steps (iA), (xxixA), or (xxxviA); or as to whether any of the proposed transactions will result in the recapture of any "dual consolidated loss" within the meaning of § 1.1503-2(c)(5). In addition, no opinion is expressed about the tax treatment of the transactions under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the transactions that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding: (i) whether the Distributions satisfy the business purpose requirement of § 1.355-2(b); (ii) whether the Proposed Transactions are used principally as a device for the distribution of the earnings and profits of any distributing

corporation or controlled corporation or both (see § 355(a)(1)(B) and § 1.355-2(d)); and (iii) whether any distribution and any acquisition or acquisitions are part of a plan (or series of related transactions) under § 355(e).

### **PROCEDURAL STATEMENTS**

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this ruling letter should be attached to the U.S. federal income tax return of each taxpayer involved for the taxable year in which the transaction covered by this ruling letter is consummated. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

---

Richard K. Passales  
Senior Counsel, Branch 4  
Office of Associate Chief Counsel  
(Corporate)

cc: